SHRI YASHWANT SINHA: Sir, I move :

"That the Bill be returned."

The question was put and the motion was adopted.

THE APPROPRIATION (NO. 3) BILL, 2001

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): Sir, I beg to move:

"That the Bill to authorise payment and appropriation of certain further sums from and out of the Consolidated Fund of India for the services of the financial year 2001-02, as passed by the Lok Sabha, be taken into consideration."

The question was proposed.

SHRI K. RAHMAN KHAN (Karnataka): Mr. Vice-Chairman, Sir, the Finance Minister has moved the Appropriation (No. 3) Bill, 2001, seeking the sanction of the Parliament for Rs. 3709 crores for making various payments. Sir, this Appropriation Bill contains payments which relate to bailing out the financial institutions and public sector undertakings. In this, Rs.400 crores have been included for payment to financial institutions and Rs.800 crores for bailing out the public sector undertakings. Most of the expenditure is for making up the losses of the public sector undertakings or for bailing out the financial institutions.

Sir, it is a matter of great concern that one after another the financial institutions are facing a crisis. Both the Houses of Parliament have debated the UTI crisis. This is not the first time that there is a crisis in the UTI. It happened earlier also in 1998. The Government came out with a bail-out package, amounting to Rs.300 odd crores. Now, see what has happened to the US-64. I do not want to go into the details. After that, the Government has to bail out the IFCI also.

उपसभाध्यक्ष (श्री सुरेश पचौरी) : रहमान जी, एक मिनट। क्या सदन की राय है कि इस विषय पर हम चर्चा जारी रखे लंच ब्रेक न करते हुए?

श्री सतीश प्रधान (महाराष्ट्र) : सर, पहले विषय खत्म कर लीजिए।

उपसभाध्यक्ष (श्री सुरेश पचौरी): ठीक है। आप कंटीन्यु रखिए।

SHRI K. RAHMAN KHAN: Mr. Chairman, Sir, the Government has to bail out the IFCI. There is a news that the IDBI also requires a bail-out package. I would like to know from the hon. Finance Minister, for how long can he go on having bail-out packages? Recently, there was a bail-out package for the Madhavpura Bank also. You are bailing out an institution which has looted the people of the country. Every other day, one financial institution or the other will be failing and you will be bailing them out. In other words, the tax payer's money will be utilised to pay for somebody else's sins. Moreover, the NPAs of the banks are increasing day by day. At one time it stood at Rs.15,000 crores. Yesterday we read reports that it has risen to Rs.1,20,000 crores. This is estimated by none else than the employees of the banks themselves, and not by the Government. It is a great cause for concern, because one does not know whether the banks are going to realise this amount. The sickness in industry is increasing day by day and the people who have borrowed from the banks are not in a position to repay. Ultimately, at some point of time, the banks will have to write off Rs.1,20,000 crores. In that situation, what would be the position of the public sector banks? How many bail-out packages will you have to come out in the process? A recent RBI report says that our economy has slowed down. It is a cause for concern. The Finance Minister says that Manipur is facing a fiscal deficit situation. I would say that the Government of India itself is facing a deficit situation and its finances are in a very difficult state. We are bailing them out, but our fiscal position is nowhere better. It is also in a critical condition. We know, the capital market has crashed and there is no public confidence in the capital market. Naturally, the industries are not able to raise resources from the capital market. They are not able to raise capital from the banks, because the banks have no confidence in them. In such a situation, how does the industry survive? During the course of the crisis in the capital market, no confidence building measures were undertaken by the Finance Ministry or the Government of India to see that the capital market survive. They just set up a JPC. Mere setting up of a JPC is not going to build confidence in the capital market. It is not the work of the JPC either. As far as the capital market is concerned, what confidence building measures has the Government evolved? We have been told that the Foreign Direct Investment will be coming and financial institutions will be investing. But after seeing the SEBI report, we have a serious doubt whether the financial institutions, which want to invest in India, are genuine financial institutions. In the name of financial institutions, they are misusing the facilities and taking what is called

the Mauritius route. I would not like to go into the details of the SEBI report. It is really alarming that people who are sitting outside are looting our money. The money that is going out through financial institutions is much more than what is coming in. The Foreign Direct Investment is not coming into the industry due to lack of confidence.

The small-scale industries sector, which was once the backbone of our country, is today suffering. About 50 per cent of the small-scale industries are sick. The sickness in these industries is increasing. I would like to know in which area the Government has addressed itself to review the economic situation of the country.

When we go through the Comptroller and Auditor General's reports, we find that these are again alarming. They say that the project escalation cost is 7 times and 10 times. The CAG gave a voluminous report on the cost escalation. But there is no seriousness on the part of the Government to look into the various issues raised by the CAG. How are you going to tackle these issues?

When we take into account the overall situation, we find ourselves in a debt trap. Now, the Government is thinking of bringing forth a Bill on the fiscal management. I do not know when the Finance Minister is going to bring forth that Bill before the Parliament. What is he going to achieve through that Bill? Will it be only a cosmetic approach towards the fiscal management? The Opposition is criticising the Government because we are all accountable to the people. We are all concerned. We should all take a serious note about our present economic situation. Therefore, the Government should come out with a "White Paper", particularly, with regard to the financial institutions. The people's confidence in the financial institutions is lost. Nobody is prepared to put his savings in the financial institutions. Today, people are not getting proper opportunities to invest their savings. The Government should encourage people to save their money. Without savings, how is the Government going to build up the economy? How does the Government propose to encourage savings? Now, people are keeping their money in their houses rather than keeping it in banks. That is the situation. They are not getting adequate returns. In the hope of getting adequate returns, they went to all sorts of people. We have seen the failure of the NBFC. Why did the NBFC fail? There is a mushroom growth of NBFCs. People invested their money with the NBFC in the hope of getting adequate returns, but they could not get it. In fact, they were investing in all types of financial institutions. Now, that also has gone. The banks' interest

rates are going down. So, where will the people put their savings? Now, if the savings are not there, how do you build the capital market? They cannot invest in the capital market because it has crashed. I would urge upon the Finance Minister to create confidence among the public in the economy of the country. He should review the economy. He should come out with a "White Paper" with regard to our financial institutions.

Then, with regard to the financial assistance to the States, they are not receiving their share in time, particularly, after floods in some States and drought in some States. Our State, Karnataka is facing a drought. Similarly, Andhra Pradesh is also facing. So far, no timely financical assistance has been given to these States. These are all very important points, which the Government must look into.

Once again I request the Finance Minister to come out with a "White Paper" on the financial condition of our financial institutions and banking institutions. Thank you.

DR. BIPLAB DASGUPTA (West Bengal): Mr. Vice-Chairman, I do not have any quarrel with the Finance Minister on this particular Bill. But this particular Bill provides us with an opportunity to raise some questions about the economic policy of the Government. I hope that some of the questions I am raising will be answered by the Finance Minister.

The first question is this. For whatever rate it is, given the incremental capital output ratio, we have to have a high rate of savings, to generate a high rate of investment and a high rate of GDP growth. Without a high rate of domestic savings, you cannot have a high rate of GDP growth. Now, foreign savings can contribute only 2-3 per cent. Basically, it is domestic savings that contributes in a big way. I know that the public sector in our country is not doing very well, in terms of generating savings. Ignore the public sector. Take the corporate sector and the household sector. Then, if you compare our position with that of the East Asian countries, the savings of the household sector plus the corporate sector there is much higher than it is in our country. Now, if you do not want to generate savings, what is the strategy of the Government? It has to be raised from the 22-23 per cent now to something like what East Asia has got, 35 per cent, 40 per cent and so on. What is the position of the Government in relation to the savings, to ensure that the domestic savings goes up? What are the strategies and policies to be adopted to ensure that savings goes up in this country? That is the first question. Foreign Direct

Investment and all that will be helpful only marginally. Basically, it is the savings in the country that contributes in a major way.

Now, for raising the savings in the economy, as we know, since 1991, there has been some attempt to boost the share market. A lot of prominence has been given to the share market. In the policies, fiscal concessions were given. It has been helped in various ways to raise the savings. But the share market has not contributed to the savings. Although, with a lot of pomp and grandeur, the share market was, in a big way, launched in 1991, if you look at the history of the last 10 years, the share market has not contributed to savings. What the share market has done is, it has diverted the savings. The overall savings remained the same. They have been diverted from the banks, from the financial institutions. But the overall savings has remained the same. If this is the case, if the share market has not contributed to savings, if the share market has not actually induced the middle class, which you expected to come in a big way in the share market, then, why should the emphasis be on the share market? If you look at the history of the East Asian countries, in Japan, in Taiwan, they emphasised on the banks owned by the public sector. It is the public-owned banks that created savings, that generated investment, that led to the growth of the economy, and not the share market. When the share market orientation came, along with private ownership of banks, the East Asian countries went into a crisis. The crisis was a result of the privatisation and the share market orientation, which was not there in the past, when these countries were growing. This is my second point.

My third question is, what is the relationship you envisage between the GDP and the rate of growth and the rate of savings? There is a feeling that in East Asia, the rate of growth is high because the share market has generated a high saving. That is not correct. If you look at the figures, then, in the earlier 60's and 70's, the saving rate in East Asia was very low, six per cent, seven per cent or eight per cent. In the share market, the saving rate has gone up speedily, largely because of the GDP growth, not the other way round. It is not the high rate of saving which has generated the high rate of GDP. It is the high rate of GDP which has led to the high rate of saving in East Asia. So, one should not lay emphasis on the idea that the savings itself is responsible for this growth. But how to recover the GDP growth, that is the question I am putting to the Minister. Look at South Korea, which is a very small country. It has a population of around four crores. We have a population of 100 crores. But, South Korea has GDP which exceeds the GDP of India. Now, I am not talking of the per capita

GDP. The per capita GDP is very low. Whenever you talk about the GDP of the country, that is, the size of the economy, the size of the economy is such that it is less than that of a country like South Korea, which has a population of less than four crores, my question is: " Why is our GDP 50 per cent less than the GDP of smaller countries like South Korea?" I am not talking about the per capita GDP. I am talking about the overall GDP, which is the size of the economy, and which in India is less than the GDP of small countries like Hong Kong and so on. I am putting this question. Why is it so? Why you cannot have a GDP growth, which, atleast, raises our GDP to the level, where our GDP is comparable, at least, with the GDP of the smaller countries. My fourth question is: "Why is our incremental capital output ratio so low?" In the 50's, it was 3. If your input is 3, you got one. 3:1 was the incremental capital ratio. It was the capital outlay ratio. I saw in the latest documents of the Government of India that now, it is more than 4, which means you have to generate more than 4 per cent growth rate, saving rate, to produce a growth rate of less than one per cent. So, in order to generate a growth rate of 6 per cent, you require much more than 25 per cent of rate of saving in the country. Why is it so? Why has the rate of incremental capital outlay ratio gone up over the time from 3 to 4 per cent, which is an indication of inefficiency of the Government? Why is the Government not efficient like it was in the 50's? Why can't the resources of the country utilised in a meaningful way so that the incremental capital ratio is pushed up, and as a result, you can really make full use of the resources which you have, and raise the rate of growth with whatever savings we have in our country. Why has ICOR gone up? I would like to know whether any investigation has been done by the Ministry of Finance. I would also like to know whether you have tried to improve the efficiency of the Ministry of Finance by improving the ICOR in the economy in various ways. My fifth question is with regard to the foreign exchange reserves position. The position of the foreign exchange reserves is very healthy. It is 41 billion dollars, which is very high. I agree with you. But, shall we rest on that ploy of 41 billion dollars? Is this stable? The foreign exchange reserves are built on export surplus. In a country where the foreign exchange reserves have been high, and if the export is more than the import, that adds to the foreign exchange, and that is the way the countries build their reserves. In our country it is just the other way round. Export is less than import, and we have a deficit. So, the ordinary rule which is followed by any country for building reserves, has not been followed in our country. Our foreign exchange reserves, if you look at them carefully, are mainly based on the

loans raised for various reasons. Some black money is coming in our country in various forms, and very short-term capital movement is there which can disappear at any moment. And which can disappear at any moment. So, the figure of 4 billion dollars looks very high, it looks very hefty, but, as we know from the experience of various countries in the past, it can disappear in a matter of a few days, or, say, a few weeks. So, one should not be happy that it is a large reserve, which looks large, but actually is not large, because the basis on which it has been done does not give us an export surplus. Our export is less than our import, which is why the foreign exchange reserve is built on a weak foundation. It can collapse at any moment. That is the question we now have.

The next question is: How are you going to ensure that at least the short-term capital movements are restricted? It does not happen like this that something changes overnight, dramatically, and you are in for a crisis. That is something which you have to stop. Is the Finance Ministry anticipating that? Are you taking any action to ensure that such things do not happen?

My last question is this. I know that you are very much concerned about fiscal deficit because the World Bank wants our fiscal deficit to go down. Actually, it has not gone down as was promised by you in 1999. So, you have not met the pledge given to the World Bank in the early nineties. We have a position where the fiscal deficit is not under control of the Government. It is very much out of control of the Government. Now the question is how to bring the fiscal deficit under your control. There are two ways to bridge the deficit, whether it is a family or an enterprise or a Government. If there is a deficit, you can either increase the income or decrease the expenditure or make a combination of the two. In our country, till now, I find that the alternative that you have adopted is not raising the revenue, but reducing the expenditure, and a combination of the two. The emphasis has been on reducing the expenditure. That has been done, but that too to a limited extent, because we cannot reduce the expenditure because of various reasons. Subsidy has gone up to the bare minimum, and the interest rates are a constitutional obligation that you cannot avoid. Really speaking, the reduction in expenditure is done within the limits. It cannot be done beyond certain limits. Why don't you think more in terms of raising the revenue? This can be done in many ways. Once it has been proposed in the country that if you reduce the rate of income tax, then there will be more complaints. If the rate of income tax is reduced, the income will be higher and the complaints will be more. That is

the theory. It is true that, for a year or two, this particular theory will work, but it cannot work for a longer period. It is at a saturation point beyond which it will not work. So, you have to think in terms of other ways of doing it. Your income-tax exemption and all that has raised the number of tax-payers. Earlier, it was 1.20 crore people who were paying income tax. Now it is two crores. Two crore people pay less income tax than what was paid by the tax-payers earlier. That is the shortfall. That is the shortfall in the income-tax collection. The thing is that you have to think of ways of finding out new sources of income, the rural income. I am not saying that rural income is the income of very poor people which constitute 95 per cent of the rural population. The remaining five per cent are rich people. Even if you take five per cent of the rural people, it comes to three crores. You can bring those five per cent people into the tax-net. That means three crores of people. Income is the subject of the State Government, but rural wealth is very much a Central subject. Why can't you have rural wealth taxation on rural rich? Things like tractors, thread mills etc. constitute the wealth in rural areas. The very rich rural entrepreneurs are making a lot of profit out of the economy of the country.

Why can't you have a rural wealth taxation system, which is effective, which makes it possible for us to have more taxpayers in the country, to widen the tax net, to improve the income and to increase the revenue so that the pressure on expenditure, on education, social components, etc., is reduced? You can have, actually, more money in that way. Why has this alternative, which is there, not been tapped so far? When we were talking some of the State Finance Ministers, in private, told me that it was not politically practicable because, usually, the politicians would not favour taxing the rural rich, as the rural rich was very much a part of the political system of the country. As far as our party is concerned, though we are in a minority, our party would support the taxation of rural wealth. Let all the parties agree and this fear of political opposition go and let the tax net be widened, by moving deep into the rural areas, by taxing the rural rich and not the rural poor. The rural rich have amassed a huge amount of wealth over the last few years, by using new technologies of agriculture. This way, actually, the revenue can be increased and the problem of deficit, to some extent, can be removed. I have done some calculations which may or may not be wrong. You can raise up to Rs.27,000 crores from this particular source. My conclusion may be wrong. But there should be a feasibility study by a competent organisation to work out the various probabilities and to find out the possibilities. But that

feasibility study has not been undertaken by the Government. This has been my request from time to time. This type of tax should also be examined in this particular context.

Sir, these are some of the important points which I wanted to raise. I hope the Minister would kindly consider these points and respond to them. I request the Minister, if not now, at least, while framing the next Budget, to take these issues into consideration. These are very important and fundamental points which one needs to take into account. Thank you.

श्री ललितभाई मेहता (गुजरात) : उपसभाध्यक्ष महोदय, मैं वित्त मंत्री जी को बधाई देना चाहूंगा कि गुजरात में जो माधोपुर मर्केंटाइल कोआपरेटिव बैंक का मामला हुआ था उसमें वित्त मंत्रालय ने, कृषि मंत्रालय ने और भारत सरकार ने एक सराहनीय निर्णय लिया और वह बैंक अभी रिवाइव होने जा रहा है तथा इसके कारण छोटे निवेशकों के हितों की रक्षा की जा रही है। लेकिन सहकारी क्षेत्र में काम करने वाली हमारी जो वित्तीय संस्थाएं हैं उनकी ओर देखने का आर.बी.आई. का रवैया अनुकूल नहीं है, बल्कि प्रतिकूल है । रिज़र्व बैंक ऑफ़ इंडिया के अधिकारी सहकारी क्षेत्र में काम करने वाले लोगों के जो विकास के आयाम हैं, उन्हें देखना ही नहीं चाहते । आरबीआई के एक्ट में जो सैक्शन 5 बना है उसमें कहा है कि यह रेगुलेटरी अथारिटी के नाते काम करेगी और यह डिवेलपमेंटल अथारिटी भी बन सकती है और बनेगी, लेकिन वह बात दिख नहीं रही है । मैं एक उदाहरण देना चाहूंगा कि मैं जिस बैंक के साथ जुड़ा हुआ हूं राजकोट नागरिक सहकारी बैंक, प्रतिवर्ष दो करोड़ रुपये का अनुदान देती है, शिक्षा के क्षेत्र में, स्वास्थ्य के क्षेत्र में, राष्ट्रीय एकात्मकता के क्षेत्र में, हमारे देश के जो पिछड़े विस्तार यहां पर हैं और भारत के पूर्वोत्तर के जो राज्य हैं, वहां पर जा करके शिक्षा का प्रश्रय देने के लिए हमने अनुदान दिया है । उस वक्त राज्य की सरकार से अनुमति ली थी, उस वक्त भारतीय जनता पार्टी की सरकार नहीं थी बल्कि कांग्रेस की सरकार थी, उसके तहत जो नियम बनाए गए उसका रिज़र्व बैंक ऑफ़ इंडिया वाले विरोध कर रहे हैं कि आप 10 हजार रुपये से ज्यादा अनुदान नहीं दे सकते और इसके कारण हमारे बैंक का लाइसेंस बड़ौदा का जो है वह उन्होंने अभी नहीं दिया है, ऐसी परिस्थिति है। तो मैं वित्त मंत्री जी से चाहूंगा कि अभी 25 तारीख को प्रधान मंत्री जी ने सहकारी क्षेत्र के लिए जो बैठक बुलाई थी जिसमें कहा था कि रिज़र्व बैंक ऑफ़ इंडिया को यह निर्देश दें कि सहकारी क्षेत्र को प्रश्रय देने के लिए कारगर कदम उठाए । दूसरी बात, यह कहना चाहूंगा कि कच्छ में प्रधान मंत्री जी ने जो घोषणा की थी उस के तहत 31 जुलाई को सेंट्रल एक्साइज एंड कस्टम के द्वारा नोटिफिकेशन दिया गया है । लेकिन कुछ बातें ऐसी हैं जिन के संबंध में स्पष्टीकरण मांगे गए हैं या कोई सुविधा की मांग की गयी है । मेरा निवेदन है कि उस पर विचार किया जाना चाहिए क्योंकि 25 हजार करोड़ रुपए के निवेश की बात कच्छ में हो रही है और कुछ बातें ऐसी हैं जिन के कारण निवेशक को मुश्किलात हो सकती हैं, अगर हैं तो उस संबंध में भी ध्यान दिया जाना चाहिए ।

एक और बिंदु पर मैं सदन का ध्यान दिलाना चाहूंगा कि अभी स्टेट लेवल बैंकर्स रिव्यु कमेटी की मीटिंग गुजरात में हुई थी । वैसे राजकोट जिले में भी हमारी डिस्ट्रिक्ट लेवल बैंकर्स रिव्यु कमेटी की भी मीटिंग हुई थी । उपसभाध्यक्ष जी, हमारे जो राष्ट्रीयकृत बैंक्स हैं, उन बैंकों ने जो रिपोर्ट दी है, उस रिपोर्ट में केन्द्रीय सरकार की जिन योजनाओं के तहत रोजगार के अवसर

सृजित किए जा सकते हैं, उस में उन का अचीवमेंट एक प्रतिशत, दो प्रतिशत, तीन प्रतिशत या चार प्रतिशत तक ही रहा है यानी टार्गेट वह तय करते हैं लेकिन वह टार्गेट अचीव नहीं कर पा रहे हैं । पूरे गुजरात में इस संबंध में देश का सी0डी0 रेशियो का जो औसत है, वह करीबन 50 प्रतिशत है, लेकिन गुजरात में 38 प्रतिशत से ज्यादा नहीं है । इस तरह गुजरात की भूकम्प के कारण जो विशेष परिस्थिति है, उसे ध्यान में रखते हुए गुजरात में जहां-जहां भी मकान निर्माण की, ट्रेड एंड इंडस्ट्रीज के पुनर्वास की योजनाएं बनती हैं, उन में भी राष्ट्रीयकृत बैंक आगे नहीं आ रहे हैं । हम जानते हैं कि प्रधान मंत्री जी और वित्त मत्री जी इस के लिए इच्छुक हैं, इसलिए वित्त मंत्री जी से मेरा निवेदन है कि गुजरात की विशेष परिस्थिति को ध्यान में रखते हुए गुजरात सरकार की जो नाजुक आर्थिक स्थिति है जिस के तहत उन को बार-बार ओवरड्राफ्ट लेना पड़ा है, उस के लिए हमें मदद देने के लिए वह आगे आएं । उपसभाध्यक्ष महोदय, देश में रोजगार के अवसर वैसे ही घटते जा रहे हैं और इस कारण जो परिस्थिति आज हमारे सामने निर्मित हुई है, उस के संबंध में कारगर उपाय ढूंढने के लिए हमें निश्चित रूप से ये कदम उठाने होंगे । ऐसा मेरा विनम्र निवेदन है। आभार ।

SHRI C. RAMACHANDRAIAH (Andhra Pradesh): Sir, I rise to support the Appropriation (No. 3) Bill, 2001. I would like to make certain suggestions. Umpteen times, we have discussed various aspects of the economy in this House, i.e. stock market, disinvestment, growth rates, etc. There is no aspect of the financial sector which has not been discussed. But in spite of that, we are unable to come out with a concrete action plan to revive the economy. Recently, I read in newspapers that the draft copy of the Tenth Five Year Plan has been approved. I was very much optimistic that the planners and administrators of the financial sector of this country will have some innovation and will have some sense of pragmatism to make good suggestions about the revival of the economy. Even today we are still with the same dogmas and the same misplaced priorities. Even in the Tenth Five Year Plan, no emphasis has been given on agriculture. In the circumstances in which we are placed, today's priority in the Government's view may be luxury. We require more investment in agricultural infrastructure. It is true that the Government is giving more importance to infrastructure.

But we have to look at various aspects of the infrastructure -- agricultural infrastructure, industrial infrastructure. Sir, my esteemed colleagues might wonder if I question the prudence of the Government for spending Rs.60,000 crores towards the Golden Quadrilateral and the North-South and the East-West Corridor. These involve around Rs.58,000 crores. We do need these projects. But do we need them at this juncture? It is a fact that roads indicate culture; roads indicate development. But can we afford such an expensive development now?

People do not have the financial capacity to mobilise funds by themselves, and the industrial production is not up to that level that we can have six-lane or eight-lane roads. We need the roads -- I don't dispute about it -- but not such roads at this juncture, when the economy is passing through such a critical stage and when we are not able to attract private investments. Sir, I remember the Finance Minister saying, recently, in some context, that the private sector has got such tremendous potential that we can achieve eight to ten per cent growth rate. It may be true. But can we create a congenial atmosphere for such investments? Sir, I had the privilege to speak on the same subject, say, a week back, when I said that there is a strong complementarity between public and private investments. Today, everybody says, public sector has become a white elephant. But I can say, with strong conviction, that it is only because of public sector that the private sector can develop in this country. It has been proved beyond doubt that there is a strong complementarity between the two. Last year, the investment did not exceed 27 per cent; in fact, we required 34 per cent of the investment -- we failed in this -- to achieve 5.2 per cent growth rate. And, now, in the Tenth Plan, our target is somewhere around eight per cent. Will it be humanly possible? Sir, if I look at the last year's GDP, it was 6.1 per cent in the first quarter of last year; 6.2 per cent in the second quarter; five per cent in the third quarter and it was 3.8 per cent in the fourth quarter. Sir, gradually, it is going down. And the CMI Report says that the first quarter of the current fiscal year has started on a very weak note and the performance of most of the infrastructure industries, in the industrial sector, has been reported to be very poor.

SHRI NILOTPAL BASU (West Bengal): The RBI says, even if we grow at six per cent, it will be a miracle.

SHRI C. RAMACHANDRAIAH: Sir, if we look at the documents that have been supplied to us, namely, the Mid-Term Appraisal of the Ninth Plan and the Economic Survey, -- I should first congratulate the Finance Minister for his courage to place such facts before the House; hats off to him -- the pronouncements that have been made outside are entirely different; they are entirely contradictory. I am not against building up of the infrastructure. But, even, in infrastructure, there should be some priority. Sir, last year, the achievement in agriculture was only 0.2 per cent. Unless it is increased to a minimum three per cent, which will have an overall growth rate of two per cent, it will be a stupendous task for us to achieve the targets that we have fixed. That is why my advice is, let us not have

confusing priorities, misplaced priorities; let us be more realistic, more complementary. Seventy per cent of the population still depends on agriculture. Ours is still an agrarian economy. And, twenty five per cent of contribution to GDP is from agriculture, and there is still forty five per cent disguised unemployment. You try to improve the economic standard of these people. You pump more funds in agriculture. If the Government is not in a position to pump more funds in major irrigation projects, then invite private investments and have some innovative schemes. Unless you improve the economic standard of this major section of our population, there will not be an aggregate demand for goods. Unless you create that aggregate demand, there will be no spurt in industrial activity. It is a simple logic. I may not be a graduate from the London School of Economics. But this is what I understand. You create more demand. The moment the people have more purchasing capacity, they will invest; they will have the surplus to invest. They will have sufficient capacity to purchase the goods. It will create aggregate demand. There will be more investment, and more investment will naturally provide more employment. That is the only panacea now. Let us not have wrong assumptions. I was rather disappointed when I saw the draft report of the Tenth Five Year Plan. We have still not learnt lessons from the past. Let us learn from the experience of others. That is why I gave the example of China. We used to say China was achieving it in this way or that way. But if you go through the process of development in China, you will find that they have been having more than 5% growth rate in agriculture for the past 11 to 12 years. That was the reason why their economic standards have improved. And we are producing more. But what is our productivity in agriculture? It is very poor. More than 64 million tonnes of foodgrains are rotting and we still read in newspapers -- there was a discussion also in Lok Sabha -- that, in certain areas, people are dying of starvation because they do not have the capacity to purchase foodgrains so as to fill their bellies. They do not have two square meals a day. This is the naked truth, Sir.

I want to point out one thing. Every aspect of economy is in bad shape. You take the stock market, the capital market and so on. I do not want to go into the details. But the economy has to be triggered. How should we do it? The only solution is to give priority to agriculture. My request is that we should make the Tenth Five Year Plan more committeed to agriculture.

SHRI B. P. SINGHAL (Uttar Pradesh): Sir, I rise to support the Bill. I have only one point to make. It is that India is the retail market of gold.

The purchase of gold in India is the highest in the world which shows that people have got a lot of money. Two tonnes of gold per day is being lifted from the retail market. That only shows that the black-market economy has, once again, risen to a very vast degree. I urge the hon. Finance Minister to evolve schemes that could once again tap this money and bring it back into the economy to open up the economy so that it could help the development of the nation.

SHRI YASHWANT SINHA: Mr. Vice-Chairman, Sir, I am grateful to the hon. Members for raising a number of very important issues in the course of this discussion. Actually, the Supplementary Demands that I am presenting to this august House for approval are of a fairly routine nature and, as has been pointed out here, the cash outgo is only Rs.1413.71 crores and the rest of it is reappropriation through savings or other means.

The philosophy behind the Supplementary Demands, quite naturally, is that a few months have lapsed since the Budget was prepared; these are expenditures which could not have been anticipated at the time the expenditure Budget was being prepared. So, Sir, we have had to come to this House for taking its approval for these expenditures. Mr. Rahman Khan made his point -- I don't see him here -- he made some very important points, I think, I should, in all fairness, respond to him. He referred to the fact that we were providing an amount of Rs.400 crores as assistance to the IFCI. In that context, he referred to the general health of the financial institutions, at this point of time, in the country. Sir, the point which I would like to make is that the financial institutions and banks are intermediaries. They depend on the real economy for flourishing. If the real economy has problems, then, quite naturally, some of those problems will get reflected in the functioning of the financial institutions and banks also. There is no denying the fact that as far as the real economy is concerned, there has been a slowdown. It is also not a secret from this House that there has been a slowdown throughout the world. In fact, I have the latest issue of the *Economist* here, and it paints a very grim picture of the world economy. We are aware of the fact that the second quarter growth in the largest economy of the world, the U.S.A. has been flat; it has been 0.2 per cent. Some of the economies in our neighbourhood have experienced even minus growth. The European economy is not doing well; the Japanese economy is not doing well; and there are many emerging market countries which are in real, serious, trouble. Argentina had to go back to the IMF for a large bailout plan; Turkey had to go back to the IMF for a bailout plan; Brazil is experiencing difficulties. We know that in our own neighbourhood, Pakistan,

as far as its external reserves are concerned, is surviving on IMF bounties. There are complications in Sri Lanka. So, the international scenario is quite depressing, at this moment. The latest report of the IMF has itself said that it has gone from boom to gloom. That is the picture, at the moment; and quite frankly, Sir, while there are various estimations, there is no definite knowing when the world economy will get out of this slowdown phase; whether it is going to deepen further, or, it is going to improve in the first quarter of the next year or the second quarter of the next year. We will have to wait and watch that situation. But quoting, again, from the *Economist*, Sir, it says here, "There are some exceptions around the world economies that seem relatively untouched by the global downturn. For example, although China's growth slowed to an annualised five per cent in the second quarter, it is still tipped to grow by almost eight per cent for the year, as a whole; and India's by five per cent." So, even at five per cent, India and China have been singled out for mention because this growth is considered to be quite reasonable, in this kind of a complex situation.

Additionally, Sir, as we have explained that apart from the oil price increase, apart from the crash of the technology stocks -- we know what happened to the Dow Jones yesterday; to the Nasdaq yesterday; what happened to the world stock markets throughout the world -- we have had the additional problem of a slowdown in the growth of the agricultural sector. Last year, the growth rate was almost flat; it was 0.2 per cent. The foodgrains production had declined by something like 13 million tonnes. In a normal situation, this would have created problems. Maybe, this country would have been forced to import foodgrains, but we were fortunate because we had large reserves coming from earlier good crops, and, therefore, there was no question of importing. Even now, this is a net-exporting country. So, Sir, there are problems, and these problems are now, naturally, getting reflected in the financial sector. Even then, I would like to say that, as far as the IFCI is concerned, the problem is not of the last few months, last six months. In fact, the problem in the IFCI has been brewing for some time. That is why, the IFCI Board had appointed a committee, under Shri Basu, and the Basu Committee submitted its report in the December of last year. In that report, they recommended that the IFCI should receive assistance to the extent of about Rs. 1,000 crores, especially, in order to get over the temporary mismatches between funds they have received and the funds they have lent; because, Sir, it is quite clear; Dr. Biplabbabu was referring to the East Asian crisis; the basic cause, to my mind, in a financial sector, in a country's economy, begins when we develop

this kind of a mismatch; that you borrow short-term--and that is an important point he made--and lend long-term. If you are borrowing for five years and lending for ten years, you will have this mismatch. So, unfortunately, because some of these repayments were due, this matter was examined. The Basu Committee report was examined and we have decided, as recommended by it, that Rs.400 crores will be made available by the Government and the other Rs.600 crores would come from the shareholders of the IFCI, and I have been assured--I had taken a meeting at my own level--that this would be sufficient to see that the IFCI is restored back to health.

A mention was made by Shri Rahman about IDBI. We have had a review, in the Ministry of Finance, of the IDBI. The IDBI itself has issued a press statement, to put at rest all talks of an impending crisis in the IDBI. They have said that they have no liquidity problems, they have no repayment problem at this time, and, at the moment, IDBI needs no help from the Government.

There has been much talk of other bail-outs, for instance, the Madhavpura Urban Cooperative Bank was mentioned. I would like to have the time of the House, Sir, to clarify that the Government of India has not bailed out the Madhavpura Cooperative Bank. The Madhvapura Cooperative Bank became the victim of a criminal fraud; that is what happened in that bank. It is the other cooperative banks of the State of Gujarat who have decided to put Rs.800 crores in the Madhavpura Bank. Not a single rupee has gone from the Government of India. Rs.800 crores is being put by the other cooperative banks in the Madhavpura Bank. The only arrangement which has been worked out, with the approval of the RBI and the support of the Government, is that, as far as this money of Rs.800 crores is concerned, the Gujarat Government will get a guarantee for 30%, and the balance 70% will be invested in Government of India securities, and that any money, any withdrawal, out of this security, this investment, will be with the approval of the RBI. So, we are not putting the Government of India's or the taxpayer's money to bail out the Madhavpura Bank. It is being done entirely by them.

There is no other bank, apart from Rs.400 crores which is being made available to the IFCI, there is not a single other institution in the banking sector, in the financial sector, which has been bailed out by this Government or is in need of such a bail out at this point of time.

2.00 P.M.

The three weak banks have been talked about for a long time. I am happy to be reporting to this House, Sir, that we have reviewed the performance of these banks over a period of time. I have personally taken four meetings of the bank Chairmen in the last 12 months. We have continuously kept these under review. All these banks are gradually improving their performance. This is a very creditable achievement. Recently, the Finance Secretary has reviewed it and we will continue to keep it under review. I am not ruling out completely, the possibility of the Government coming to their help, if recapitalisation is required, to the extent to which it becomes necessary, is due. But this whole talk about the financial sector of this country being in such a mess, in such a jam, that nobody should trust it, is a counsel that, I will say, should not be made public because this is something which creates a problem even though there is no problem. You will agree, Sir, whenever there is such a talk, then it creates a climate of lack of confidence and crisis. So, I would humbly plead that.

At this point of time, I have also the figures of NPAs. In absolute terms, they have gone up marginally from something like Rs.53,000 odd crores to Rs.54,000 odd thousand crores. But in terms of percentage of growth and net NPAs, they have gone down consistently over a period of time. They have come down in the last year. So there is a need to continue to attack the problem of NPAs. There is a need to continuously review the problems of the financial institutions. I must confess before this House, I have learnt a lesson and the lesson that I have learnt is that as far as policy and overall performance is concerned, we will have to look at the financial institutions, we will have to continue to look at the banks. This whole talk of autonomy is something which will not work as long as I am responsible to this Parliament, to this House. It will not work and that is the lesson I have learnt out of the whole UTI crisis which has affected. Even as far as the UTI is concerned, I would like to point out -- and the House is aware -- that we have not come to the rescue of the UTI in the sense that we have not lent any money. The UTI is looking after its own affairs. It has got a competent leadership now. I am quite sure the UTI now come out of the problem that it has faced. The other issue which was raised by Rahmanji, is with regard to the calamity relief. Naturally, he would be worried and so are we because Karnataka is in the grip of a severe drought. There are other parts of the country, Andhra Pradesh, Maharashtra, parts of Bihar and my own State Jharkhand which are in the

grip of drought. Sir, the arrangement which has been made by the Eleventh Finance Commission is well known to this House. I do not have to explain it. But wherever, Sir, these States have needed, we have come to their help. We will continue to come to the help of the States to the extent to which such help is needed. Sir, Biplabbabu has raised some very fundamental issues with regard to the economy. He has raised of savings rates of the economy. Sir, when we are talking about the savings rates, I would like to point out to him, the highest savings rates, domestic savings that we achieved was in 1995-96 when the hon. the Leader of the Opposition was the Finance Minister. It was 25.1 per cent of the GDP. After that it has been coming down. It was 23.2 per cent in 1996-97. It was 23.5 per cent in 1997-98. It went down only to 22 per cent in 1998-99. In 1999-2000 for the latest year which we have the figures, it was 22.3 per cent. But here the most important thing to remember is the fact that it is not the household savings which has come. In fact, the household saving to which we relate the capital market, bank deposits and all that, has been 19.8 per cent in 1999-2000. This has actually gone up. But the highest ever was 19.7 per cent in 1994-95 when we achieved 19.8 per cent. Where have we taken the beating? We have taken the beating particularly in the public sector saving which has turned into dis-saving, that is, 1.2 per cent. That is where I go back to the Fifth Pay Commission, and If I say, it was a great catastrophe that befell this nation when we decided to give the kind of extra which was given. It has put a burden on the States' finances. It has ruined the States' finances. If you look at the BCR of any State, you will find what had happened in 1997-98 and 1998-99 to the Government of India's finances. It is the public sector dis-saving, Sir, which has been the culprit, which has declined from plus 2 per cent in 1995-96 to a minus 1.2. There has been some decline in the private corporate savings also. So, this is, as far as savings are concerned. In the Tenth Plan, the Approach Paper will be discussed in the NDC tomorrow, in order to be able to achieve a growth rate of 8 per cent, the rate of investment in the economy has been put at 32 per cent and savings rates is expected to be pushed up to something like 29.8 per cent or so. We have to achieve that kind of savings rates during this period of five years, by largely controlling our own fiscal deficit.

I had an occasion in the other House, to say it clearly, and I would like to reiterate it here that, while the fiscal deficit is important, the most intractable problem has been the revenue deficit, which is the consumption expenditure of the Government. Therefore, I have told my colleagues that

as far as investment expenditure is concerned, whatever funds that are needed from the Ministry of Finance, we will be making them available. But, as far as the non-Plan and, especially, the revenue expenditure is concerned, we shall keep the strictest and the most stringent control on that. So, the savings rate will have to go up and we will have to make sure that the public sector 'dissaving' -- 'the minus' -- is improved to 'plus' and that it goes up.

As far as the incremental capital output ratio is concerned, Biplabbabu is quite right that if we do not achieve efficiency of the capital employed, then, we will not be able to increase the kind of, or have the kind of, growth rate which we are anticipating. Therefore, the ICOR of 4.28 per cent, is a far cry, I agree with you, from the 3 per cent which had been achieved earlier. But the international global standard -- I stand corrected by the hon. Leader of the Opposition -- I am told, today, is around 3.9 per cent or 4 per cent. That will be considered to be a good ICOR and, in the Tenth Plan, what we are projecting to do is to bring it up to 4.08 per cent.

About the foreign exchange reserves, I would like to say that there has been much talk of the volatile nature of our reserves, the fact that they might run away. We know from the international experience that countries with much larger foreign exchange reserves than the $ 44.5 billion that we have at the moment, have been brought down to their knees within days because their reserves have gone away. But I would like to make two points here. The first one is: even at the height of the East Asian crisis, even at the height of the sanctions, when the gloom-doom scenario was much worse than it is today, what was considered to be volatile, did not fly away from this country. It stayed. The decrease, if at all, the erosion, if at all, was marginal. And, since then, the situation has improved. Therefore, there is a confidence, there is a worldwide confidence, in India, and, I am quite sure, that confidence will abide. And, therefore, the fly-by-night operators running out situation should not arise.

The other point is, we have been extremely careful, over a period of time, throughout the decade of the 90s, with our short-term borrowings. Therefore, if you look at the foreign debt portfolio, you will find that the short-term borrowings are a very, very small part -- 3-4 per cent of the overall short-term borrowings that we have. Therefore, while we have a liberal regime of foreign exchange management, there is no need to fear that the foreign exchange, which has accumulated over a period of time, is going to go away.

Sir, Biplabbabu and Ramachandraiahji have also raised the issue of stock markets. Stock markets, as I have mentioned, the world over, are in the doldrums. Let us realise that. It is not merely ours. I would like to correct the impression that Mr. Ramachandraiah has, that I am only thinking of the stock market. I am not. Of course, the stock market has, a place in a modern economy. That cannot be denied. But, the stock market always, every day, every moment, in its functioning, reflects the real economy, is also not true. So, a time will come when the stock markets will improve and the sentiments will improve. The other point made by Mr. Ramachandraiah is regarding agriculture. It is a very important sector. Nobody can dispute that a country like India, even, today, is driven by agriculture. It is led by the agriculturists. Therefore, any model of growth that we prepare must be a model which is an agriculture-led growth. Other sectors will play their role. But, even that role will be dependent on the performance of the agricultural sector.

I do not want to take much time of the House. I have some figures, here. I have the capital growth rates. These are CSO statistics. You will find that as far as agricultural and allied activities are concerned, it has almost been flat. We started with 3.1 per cent growth rate, from 1951-52 to 1961-62. And, what has been the growth rate from 1992-93 to 2000-2001 - 3.2 per cent. Except for one decade of 1981 to 1991, which was 3.6 per cent, and which was the highest recorded growth rate, it had been around 3 per cent. This is the growth rate. So, I agree that we need to increase public investment in agriculture, in rural infrastructure. And, that has been the thrust of all the four Budgets that I have presented. Mr. Ramachandraiah might disagree with the Golden Quadrilateral and the National Highway Project that we have. But I would say that it is a very important project, even from the economic point of view. That kind of investment is going to rave up the economy. Therefore, that investment will be useful. But we are not forgetting the rural areas. In fact, Rs.5,000 crores that we are going to spend this year on the rural roads, is the ever largest expenditure on rural connectivity that has ever been made in this country. We are committed to linking all the villages by the year 2007. Apart from that, you are aware, Sir, of the arrangements which have been made for the storage and processing of foodgrains and other agriculture produce. And I would like to say that what has changed in the decade of 90's is that there has been a higher growth rate in the

services sector. Even industry had a growth rate of 6.3 per cent in the first decade, that is, 1951-61. And what has been the growth rate even if we exclude the crisis year of 1991-92? It was 6.4 per cent. So, even industry has been somewhat flat. The only sector which has kept up the growth rate has been the services sector. It had 3.9 per cent during the decade 1951-61 and something like 8.1 per cent from 1991 to 2001. This is the sector which is growing. This is the sector which is contributing almost half the GDP today. *(Interruptions)*

DR. BILPAB DASGUPTA: Very dubious. *(Interruptions)*

SHRI YASHWANT SINHA: No, it's not dubious at all. No. *(Interruptions)* It is not dubious at all. In every modern economy, Biplab Babu will know, services sector plays a very important role. Therefore, services will continue to play an important role. Sir, as I said, we are trying our best to ensure that this present slowdown does not last very long. The Government is not unconcerned. The Government is concerned about this. We are trying to take a number of steps in order to improve this. And it was in that context that I had taken a number of meetings myself, Sir. We are making sure that various Ministries spend Government expenditure, as budgeted, as soon as possible. I have already, as I said, given an open offer to my colleagues in the Cabinet that whoever wants to take more money from me for investment expenditure, we will oblige them. We will give them the money. And, I am quite sure, that with the other steps that the Government proposes to take in the coming two weeks, it will be possible for us to, at least, blunt the edge of the kind of global slowdown which we are facing in the country today, Sir. So, I will be very grateful if the House were to adopt the Supplementary Demands, and return the same to the Lok Sabha.

THE VICE-CHAIRMAN (SHRI SURESH PACHOURI): The question is:

> "That the Bill to authorise payment and appropriation of certain further sums from and out of the Consolidated Fund of India for the services of the financial year 2001-2002, as passed by the Lok Sabha, be taken into consideration."

The motion was adopted.

THE VICE-CHAIRMAN (SHRI SURESH PACHOURI): Now, we shall take up clause-by-clause consideration of the Bill.